

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Fred C. Fischer Library</u>	County Wayne
Audit Date September 30, 2004	Opinion Date February 17, 2005	Date Accountant Report Submitted To State: April 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 S. Main St., Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature 			

Fred C. Fischer Library

**Financial Report
with Supplemental Information
September 30, 2004**

Fred C. Fischer Library

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Independent Auditor's Report

To the Tri-Community Library Committee
Fred C. Fischer Library

We have audited the accompanying basic financial statements of the Fred C. Fischer Library as of September 30, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Fred C. Fischer Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Fred C. Fischer Library as of September 30, 2004 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Fred C. Fischer Library has not presented a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

As described in Note 7 to the financial statements, the Fred C. Fischer Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of October 1, 2003.

Plante & Moran, PLLC

February 17, 2005

Fred C. Fischer Library

Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2004

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Cash and cash equivalents (Note 2)	\$ 245,162	\$ -	\$ 245,162
Due from other governmental units	30,949	-	30,949
Capital assets - Net (Note 5)	<u>-</u>	<u>1,512,828</u>	<u>1,512,828</u>
Total assets	<u>\$ 276,111</u>	1,512,828	1,788,939
Liabilities and Fund Balance/Net Assets			
Liabilities			
Accounts payable	\$ 96,590	-	96,590
Accrued liabilities	54,589	-	54,589
Accrued wages payable	2,288	-	2,288
Deferred revenue (Note 4)	<u>30,949</u>	<u>(30,949)</u>	<u>-</u>
Total liabilities	184,416	(30,949)	<u>153,467</u>
Fund Balance - Unrestricted	<u>91,695</u>		
Total liabilities and fund balance	<u>\$ 276,111</u>		
Net Assets			
Invested in capital assets			1,512,828
Unrestricted			<u>122,644</u>
Total net assets			<u>\$ 1,635,472</u>

Fred C. Fischer Library

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2004

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
Revenue			
Member contributions (Note 4)	\$ 619,791	\$ (74,337)	\$ 545,454
Interest income	1,557	-	1,557
Federal grants	12,000	-	12,000
State aid	35,222	-	35,222
Local library fines and fees	131,371	-	131,371
Contributions and donations	3,586	-	3,586
Miscellaneous	35,163	-	35,163
Total revenue	838,690	(74,337)	764,353
Expenditures			
Salaries	329,199	-	329,199
FICA	4,464	-	4,464
Books	110,675	(110,675)	-
Supplies	6,942	-	6,942
Professional fees	4,850	-	4,850
Dues	798	-	798
Contracted services	40,486	-	40,486
Administration fees	68,893	-	68,893
Telephone	5,005	-	5,005
Insurance	15,476	-	15,476
Utilities	18,819	-	18,819
Repairs and maintenance	2,807	-	2,807
Printing and publications	1,780	-	1,780
Benefits	94,931	-	94,931
Postage	5,739	-	5,739
Computer hardware/software	9,066	(7,364)	1,702
Furniture and equipment	19,807	(9,723)	10,084
Depreciation	-	449,536	449,536
Miscellaneous	7,658	-	7,658
Total expenditures	747,395	321,774	1,069,169
Excess of Revenue Over (Under) Expenditures/ Change in Net Assets	91,295	(396,111)	(304,816)
Fund Balance/Net Assets - October 1, 2003	400	1,939,888	1,940,288
Fund Balance/Net Assets - September 30, 2004	<u>\$ 91,695</u>	<u>\$ 1,543,777</u>	<u>\$ 1,635,472</u>

Fred C. Fischer Library

Notes to Financial Statements September 30, 2004

Note I - Summary of Significant Accounting Policies

The Fred C. Fischer Library (the "Library") is an intergovernmental agency with the City of Belleville, Van Buren Township, and Sumpter Township. Its purpose is to provide library services to the residents of all the participating communities. Accordingly, the participating communities provide annual funding for its operations.

Prior to March 1999, the Library's accounting records were maintained by Wayne County. After March 1999, the three communities became responsible for the financial management of the Library, thus creating the intergovernmental agency. According to the Tri-Community Agreement, the Library is considered a branch of the Wayne County Library.

Reporting Entity

The Library is governed by a three-member board that consists of one representative from each community as appointed by the respective municipalities. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Library's only fund, the General Fund, accounts for all financial resources of the Library. There are no component units required to be included in the Library's financial report.

Basis of Accounting

The accounting policies of the Library conform to generally accepted accounting principles (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets and the statement of activities) are recorded using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member contributions are recognized as revenue in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Cash Equivalents - The Library considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Fixed Assets - A majority of the fixed assets of the Library, including the building the Library currently occupies, are owned by the participating communities. Capital assets owned by the Library, including subsequent building additions funded by the Library, are reported in the statement of net assets. Capital assets are defined by the Library as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. However, books and periodicals are identified by management at acquisition regardless of dollar amount and capitalized accordingly. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Books and periodicals	5 to 15 years
Building additions	39 years
Building improvements	15 years
Computers	5 years

Fred C. Fischer Library

Notes to Financial Statements September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Cash and Cash Equivalents

The Library's deposits and investments included on the balance sheet under the cash and cash equivalents classification are composed of the following:

Bank overdraft (checking accounts and savings accounts)	\$ (98,304)
Sweep investment account in bank investment pools	<u>343,466</u>
Total	<u>\$ 245,162</u>

Deposits

The overdraft, which is comprised primarily of outstanding checks, was reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,009, all of which was covered by federal depository insurance. The Library's cash deposits are included with the City of Belleville's bank accounts.

Investments

The Library's investments are included with the City of Belleville's investments. The City of Belleville is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Library's investments at September 30, 2004 consist solely of bank investment pools in the amount of \$343,466. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in these funds comply with the investment authority noted above. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

Note 3 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library is covered under the City of Belleville's commercial insurance for medical benefits, workers' compensation, and general liability claims. The City has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 4 - Member Contributions

Contributions made to the Library are as follows:

- \$619,791 was contributed in total to the Fred C. Fischer Library by the participating communities for the year ended September 30, 2004. Contributions were collected on a quarterly basis by the City of Belleville on behalf of the Library.

Fred C. Fischer Library

Notes to Financial Statements September 30, 2004

Note 4 - Member Contributions (Continued)

- The following is an analysis of member contributions for the year ended September 30, 2004:

	Quarterly Payment per the 2003-2004 Budget	Total Payments Received During Fiscal Year Ended September 30, 2004
Revenue contributed by member community:		
City of Belleville	\$ 15,409	\$ 30,687
Sumpter Township	34,500	168,000
Van Buren Township	<u>86,455</u>	<u>421,104</u>
Total governmental fund modified accrual revenue	<u>\$ 136,364</u>	619,791
Amounts reported in the statement of activities are different because:		
Revenue reported in the statement of activities in a previous year that did provide current financial resources and is reported as revenue in the governmental fund in the year collected		(105,286)
Revenue reported in the statement of activities in the current year that did provide current financial resources and is not reported as revenue in the governmental fund until the year collected		<u>30,949</u>
Total government-wide full accrual revenue		<u>\$ 545,454</u>

The Library had not received the City of Belleville's third or fourth quarter contributions within 60 days of September 30, 2004. Accordingly, deferred revenue in the amount of \$30,949 was recorded at September 30, 2004. The Library also recognized revenue which was deferred as of September 30, 2003, in the amount of \$105,286, representing the fourth quarter of fiscal year ended September 30, 2003 contributions for both Van Buren and Sumpter Townships.

The Library uses a support formula to determine the annual amount that each of the participating communities will contribute to the Library. This formula is determined based on three equally weighted factors: usage, population, and tax base. This percentage is multiplied by the total budgeted amount for local payments in order to determine the amount to be paid by each community.

Fred C. Fischer Library

Notes to Financial Statements September 30, 2004

Note 5 - Capital Assets

Capital asset activity of the Fred C. Fischer Library's governmental activities is as follows:

Governmental Activities	Balance October 1, 2003	Additions	Disposals and Adjustments	Balance September 30, 2004
Capital assets being depreciated:				
Books and periodicals	\$ 3,331,540	\$ 110,675	\$ -	\$ 3,442,215
Buildings	452,634	-	-	452,634
Building improvements	120,744	9,723	-	130,467
Computers	24,929	7,364	-	32,293
Subtotal	3,929,847	127,762	-	4,057,609
Accumulated depreciation:				
Books and periodicals	1,863,889	420,229	-	2,284,118
Buildings	165,966	15,088	-	181,054
Building improvements	57,349	8,698	-	66,047
Computers	8,041	5,521	-	13,562
Subtotal	2,095,245	449,536	-	2,544,781
Net capital assets being depreciated	1,834,602	(321,774)	-	1,512,828
Net capital assets	<u>\$ 1,834,602</u>	<u>\$ (321,774)</u>	<u>\$ -</u>	<u>\$ 1,512,828</u>

Note 6 - Budget Information

The annual budget is prepared by the Library director, submitted to the Tri-Community Library Committee for their approval, and then submitted to each of the participating communities' council or board for adoption; subsequent amendments are also submitted by the Tri-Community Library Committee to each of the participating communities' council or board for approval. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2004 has not been determined. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the participating communities' board or council and the Tri-Community Library Committee is included in the financial statements. This comparison includes expenditure budget overruns.

Note 7 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Library has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Library's activities
- Capital assets in the governmental fund's statement of net assets of approximately \$1,513,000 not previously accounted for by the Library

Required Supplemental Information

Fred C. Fischer Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2004

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Member contributions	\$ 545,454	\$ 650,740	\$ 619,791	\$ (30,949)
Interest income	2,000	1,000	1,557	557
Federal grants	12,000	12,000	12,000	-
State aid	30,000	35,222	35,222	-
Local library fines and fees	109,000	131,636	131,371	(265)
Contributions and donations	500	3,570	3,586	16
Miscellaneous	14,450	42,623	35,163	(7,460)
Total revenue	713,404	876,791	838,690	(38,101)
Expenditures				
Salaries	327,800	328,000	329,199	(1,199)
FICA	4,250	4,250	4,464	(214)
Books	101,350	105,571	110,675	(5,104)
Supplies	6,750	6,950	6,942	8
Professional fees	4,300	4,850	4,850	-
Dues	700	900	798	102
Contracted services	32,200	42,630	40,486	2,144
Administration fees	53,500	83,234	68,893	14,341
Telephone	10,200	10,300	5,005	5,295
Insurance	6,350	8,592	15,476	(6,884)
Utilities	22,600	22,600	18,819	3,781
Repairs and maintenance	3,500	3,500	2,807	693
Printing and publications	13,500	3,865	1,780	2,085
Benefits	103,354	105,000	94,931	10,069
Postage	5,800	5,800	5,739	61
Computer hardware/software	10,250	10,250	9,066	1,184
Furniture and equipment	500	19,807	19,807	-
Miscellaneous	6,500	10,392	7,658	2,734
Total expenditures	713,404	776,491	747,395	29,096
Excess of Revenue Over Expenditures	-	100,300	91,295	(9,005)
Fund Balance - October 1, 2003	400	400	400	-
Fund Balance - September 30, 2004	<u>\$ 400</u>	<u>\$ 100,700</u>	<u>\$ 91,695</u>	<u>\$ (9,005)</u>

May 12, 2005

Tri-Community Library Committee
Fred C. Fischer Library
6 Main Street
Belleville, MI 48111

Dear Committee Members:

We recently completed the audit of the financial statements of the Fred C. Fischer Library for the year ended June 30, 2004. In addition to the audit report, we offer the following comments for your consideration.

Bank Reconciliations

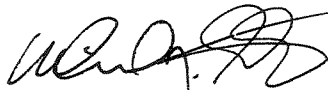
In planning and performing our audit of the Library's financial statements, we considered the Library's internal control structure in order to determine our audit procedures for the purposes of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance. However, we noted an item concerning the internal control structure and operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. A reportable condition is a significant deficiency in the design or operation of the internal control structure that has come to our attention and, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the Library's management assertions inherent in the financial statements. We consider the following deficiency in the design and operation of the internal control structure concerning cash to be a reportable condition.

The library failed to timely reconcile it's bank accounts. Bank reconciliations are an important control feature for the Library that helps prevent and detect material misstatements in the Library's general ledger. Accordingly, we highly recommend someone independent of the collection and recording functions reconcile the bank accounts on a timely basis. Furthermore, someone independent of the bank reconciliation process should review the reconciliation for completeness and accuracy.

We would like to thank you and your staff again this year for their cooperation and assistance provided during the audit. If you have any questions, or would like to discuss these items further, please feel free to contact us at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Michael J. Swartz



Shane C. Ferguson